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HYDRO ELECTRIC ENQUIRY COMMISSION

RE CENTRAL ONTARIO SYSTEM
ONTARIO POWER SYSTEM
AND GENERAL SUBJECTS

TORONTO, JANUARY 1923.

W. C. Coo,
Official Reporter

HYDRO ELECTRIC INQUIRY COMMISSION.

I N D E X.

BRIEF. MEMORIAL. TRADING CONTRACTS.

I N D E X.

HYDRO ELECTRIC INQUIRY COMMISSION.

PARLIAMENT BUILDINGS, TORONTO,

THURSDAY, 4th JANUARY, 1923.

PRESENT:

W. D. GREGORY, ESQ.,	Chairman.
M. J. HANEY, ESQ.,	Commissioner.
LLOYD HARRIS, ESQ.,	Commissioner.
R. A. ROSS, ESQ.,	Commissioner.

F. A. GABY, ESQ.,
W. W. POPE, ESQ.,
R. T. JEFFERY, ESQ..
} Representing the Hydro Electric Power Commission.

Re CENTRAL ONTARIO SYSTEM and GENERAL SUBJECTS.

THOMAS McGARRY, Examined.

THE CHAIRMAN: Mr. McGarry, we had a hearing some time ago about the Central Ontario property bought by the Ontario Government, and you were away in British Columbia at that time, so rather than bring you back we let your examination stand over until now.

MR. McGARRY: Yes, I am very grateful to you for that. I was served before I left, but I had an appointment with a man from Japan who was on the ocean, and I could not stay to give my evidence, and I thank you for the opportunity now afforded me. What do you wish to know?

HYDRO ELECTRIC POWER COMMISSION.

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PRESENT:

W. D. CONNOCKY, ESQ.,	Chairman.
M. J. HANDY, ESQ.,	Commissioner.
LLOYD HARRIS, ESQ.,	Commissioner.
R. A. ROSS, ESQ.,	Commissioner.

F. A. GALY, ESQ.,	Representing the Hydro Electric Power Commission.
W. R. POPE, ESQ.,	
K. E. JEFFERY, ESQ.,	

Re CENTRAL ONTARIO SYSTEM and MANAGER'S CONTRACTS.

THOMAS MCGARRY, EXAMINED.

THE CHAIRMAN: Mr. McGarry, we had a meeting some time ago about the Central Ontario property bought by the Ontario Government, and you were away in British Columbia at that time, so rather than bring you back we let your examination stand over until now.

MR. MCGARRY: Yes, I am very grateful to you for that. I was served before I left, but I had an engagement with a man from Japan who was on the ocean, and I could not stay to give my evidence, and I thank you for the opportunity now afforded me. What do you want to know?

Q--You were Treasurer of the Province of Ontario in March, 1916 ? A--Yes.

Q--Would you tell us what you know about the acquisition of this plant of the Central Ontario Power Company by the Ontario Government ? A--Yes. For some time people in Eastern Ontario, and particularly those concerned with the Seymour Power Company, as it was known then, were advocating the acquisition of that power by the Hydro-Electric Commission, or by the Government.

It was claimed by many people throughout Eastern Ontario that the Government was paying too much attention to the Niagara Peninsula and Western Ontario, and none at all to Eastern Ontario. Delegation after delegation came to the Government.

Q--From where, Mr. McGarry ? A--From different towns in Eastern Ontario.

Q--In this Central Ontario district ? A--Yes. When I say Eastern Ontario I include that portion of the Province east of Toronto. These delegations had been coming to the Government long before I became a member of the Government.

I understood that the Hydro Electric Power Commission and the Seymour Power Company had been negotiating for some time prior to 1914. In 1916 it became evident that they were not going to be able to make an agreement through the Hydro-Electric Power Commission, and the Government decided, as a matter of policy, that it would step in and use its best efforts to make a contract.

Q--What was the difficulty in the Hydro not coming to an agreement itself ? A--That I won't say. I assume it may have been temperamental more than anything else.

Q--What do you mean by that, temperamental on the part of the Hydro ? A--On the part of the person who was negotiating for the Seymour power, and on the part of the

Q--Somewhere during the province of Ontario in March, 1916? A--Yes.

Q--Would you tell us what you know about the acquisition of this right of the Central Ontario Power Company by the Ontario Government? A--Yes. For some time people in Eastern Ontario, and particularly those concerned with the Saguenay Power Company, as it was known then, were advocating the acquisition of that power by the Hydro-Electric Commission or by the Government.

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Q--What was the difficulty in the Hydro not coming to an agreement? A--That I won't say. I assume it may have been they wanted more than anything else.

Q--What do you mean by that, temperamental on the part of the Hydro? A--On the part of the person who was negotiating for the Hydro power, and on the part of the

person who was negotiating for Hydro. They had differences, and those differences became acute.

Q--Would that be the President of the Seymour Power Company? A--Yes.

Q--And the Chairman of the Hydro-Electric Power Commission?

A--Yes. Now, this is all hearsay, because I was not present at any of those negotiations, and I am speaking of the report which came to me as a member of the Government, and we decided to acquire that power, and Mr. Ferguson, the Minister of Lands, Forests and Mines did most of the negotiating. I was not brought into it until the day the agreement was signed, whatever date that is, I think the 16th of March.

Q--The 10th of March ? A--Whatever the date of the agreement is. I was called to Mr. Ferguson's room, and there were representatives --

Q--That would be here in the Parliament Buildings ?

A--Yes, here in the Parliament Buildings.

Q--There were representatives of the Hydro there ?

A--Yes. If I recall rightly Mr. Pope was there, possibly Mr. Gaby, and Mr. Lynch-Staunton who was acting as Solicitor, and Mr. Strachan Johnston representing the Seymour Power Company, and probably Mr. Colville, is it, I am not familiar with the name, but I think that is it, the Manager of the Seymour Power Company.

Q--Would that be in the morning or afternoon ?

A--When I was called in it would be the afternoon. I think they had reached this stage: That the Seymour Power Company was willing, at that time, to sell out for $8,350,000 cash, and include the North Bay plant, $8,350,000 cash, or its equivalent in bonds. At that time, its equivalent in bonds would mean a bond at 5 years 5½ per cent, because money was costing us almost 5½ per cent in the market then.

I was consulted by Mr. Ferguson, acting for the Government,

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as to what my opinion was. He told me then that Sir Adam Beck had recommended the acquisition of this power by the giving of bonds, 50 years 4 per cent.

Q--For $8,350,000 ? A--$8,350,000. Well, I cannot speak as to that amount. I am speaking as to the terms only, because that is what I was called in to deal with.

Q--That is what Sir Adam's letter states ?

A--I have no doubt that is correct. I have no idea of the date of that letter. The Seymour Power Company would not consent to anything except a cash proposition of $8,350,000. I told Mr. Ferguson that I would not consent, as treasurer of the Province, to provide $8,350,000 then, because we had been forced to go into a new market in 1914 for our money. We had to educate the United States financial men before we could get them interested in Provincial bonds at all, because there never was a bond sold in the United States of the Provincial Government until after 1914. In view of that, and in view of the amount being so large, because at that time it was considered quite a large sum, I refused to discuss any question of paying cash.

Then Mr. Ferguson asked me what we could do, and I went up stairs and consulted with some of the officials of my Department, and consulted with some financial men outside of the Department as to their views, and I had strong views myself, and my views were that in ten years, when the War would be over we would get back to cheap money again. The history of the Province, as disclosed in the financial statement, shows that the borrowing up to 1914, by the Provincial Government, was all at 3½ per cent and 4 per cent, with one exception. On one occasion, in 1913, they paid 4½ per cent, but 3½ per cent was the usual rate for a number of years.

Q--I thought it was 4 per cent? A--No. You will find that we borrowed, I think about 1913, mostly at 3½ per cent. The

records will show it. I cannot speak from memory now, you know, but the records will show in the Department. Now, then, my own judgment was that we would get back to lower than 4 per cent by 1930, and I said it on that occasion that we would get back to cheap money, and I make that statement now, that by 1930 we will be back to a lower rate of interest than 4 per cent. I told Mr. Ferguson that, on the merits of it, I thought it would be better for us to give bonds for 10 years at 4 per cent, because I had in view if I should be Treasurer of Ontario, or should have anything to do with it, the consolidation of the debt of the Province after the war was over; that was the reason the bonds were given for ten years at 4 per cent.

Q--It might be just as low in 50 years --

A--I say it was far better, in the interests of the Province, to make the terms ten years, because we could borrow at a cheaper rate than 4 per cent. That was my opinion and my firm conviction.

Q--It still is ? A--It still is. I am absolutely serious, and I am willing to back that up if you are sporty enough to make a bet with me. My reason for that is, the Dominion Government borrowed money prior to the war at 4½ and 3½ per cent, and the reason of the difference between the Dominion Government bonds and ours was not that the bonds of the Province of Ontario were not worth the money, and were not perfectly good security, but because the Provincial securities are not on the Trustee list in England, and Dominion securities are and, in view of that, a trustee could not lend to the Province. Now, then, we had taken the position that the Province, in view of its part in the war, was entitled to be placed upon the Trustee List in England. I attended the Inter-Provincial conference in 1918 and presented the views of Ontario, and had the assurance that the matter would be

followed up. I do not know how far that has been followed up by my successor in office, or by this Government, but I think it should be followed up, and that Ontario securities should be placed on the Trustee List in England, and if that is the case we will borrow money at 3 per cent before 1930.

Q--It seems quite practical to get them tp do that?

A--Yes, it certainly is, and I am not saying this in any political spirit, because I have been out of politics for a long time, and I have broadened out, so that I am making a statement of this kind --

Q--What was the objection -- perhaps it is not very pertinent to this -- but what was the objection raised over in England to putting the Province on the Trustee List ?

A--I will tell you the reason: The Treasury Board of England have the right to place them on the Trustee List. They have an Act called the Colonial Act, and for that one reason they insist upon the British Crown having the right to veto any Bill passed by the Province of Ontario. The right of veto is in the Dominion Government and the Dominion Government does not want to give that up, but that can be overcome, we are hopeful, by special legislation passed by the three Parliaments, and it must be overcome. There isn't a Province in this Dominion whose securities are on the Trustee List and, as a result, we have to pay three-quarters to one per cent more interest than any other Colony in the British Empire.

Q--The British Government has no more power to veto Acts of Australia than Canada ?

A--I am speaking now of financial Legislation. It would be reserved, within certain bounds, but they have the right under the Trustees arrangement, to veto financial legislation, otherwise they would be put off the Trustee List.

Now, then, coming down to the agreement that was made,

the position taken by the Seymour Power Company was that the 50-year bonds were of no use to them, and everyone of you gentlemen sitting there, being familiar with financial matters in 1916, know that you could not sell 50-year bonds, or 40-year, or even a 20-year bond in 1916. The longest bond that we were able to put up for the Province, was a 5-year bond.

Q --You haven't got to sell them, you just have to hand over the bonds ? A--I am speaking of the position taken by the Seymour Power Company. They said "We are not going to accept 50-year bonds, we want to place our shareholders in the position of being able to cash in their shares!"

Q--The Seymour Power Company was the Sun Life of Montreal?

A--Well, neither you nor I know to what extent. I would imagine the Sun Life had loaned up to the full value of the securities they held, and that once they were selling out, having to part entirely with their security, they wanted to cash in, and to prove that that was their desire, when we issued those bonds they wanted leave to go into the market at once and sell them, and I refused to close. I think you will find, if you look up my Departmental records, that I wrote a letter to the Seymour Power Company, to Mr.Johnston, telling him that these bonds must not be offered for sale without my consent being first obtained, because we were going into the market for necessary borrowings in the interest of the Province, and I did not want those bonds to come into the market against mine when we might have required money badly.

Q--Did you ever give your consent, Mr. McGarry ?

A--Oh, yes, after a good many denials, and I must say that I nearly fell out entirely with Mr. Johnston, the President of the Company. He was so persistent in asking for leave, and I was persistent in refusing until I could see my way clear financially.

Those are the circumstances under which the agreement was made, and I still say -- and I think time will prove -- that we saved money to the Province by making those bonds only ten years. I read the statement while I was in British Columbia, in a Toronto paper of Mr. Bonthron, I think they called him . I suppose he is your financial adviser.

Q--Mr. Bonthron is with Price Waterhouse & Company.

A--I read his statement with regard to the amount of money lost.

Q--He mentioned the difference between the value of a 10-year bond at 4 per cent and a 50-year bond ?

A--Of course, that statement was not clear to me without knowing at what rate he figured it at.

Q--He figured it at 4 per cent ? A--What was he figuring the difference at ?

Q--I fancy at the price that bonds were selling for at that time.

A--Six per cent ?

Q--Five per cent? A--I would figure it just the other way if I was figuring it, that is, I would figure that we would, at the end of ten years, get money at 3½ per cent, and I would say we are, therefore, saving one-half per cent. My judgment is well strengthened, in that connection, and I think at that time the Government showed some sense.

As I have already said, my opinion is that the debt of the Province should be consolidated by Special Act, after money comes down and after exchange becomes normal, and that they should consolidate and float a loan extended over 50 or 60 years at a rate which, I think, will be below 4 per cent.

Q--And which you are willing to wager will be below 4 per cent ? A--By 1930, yes, I will wager. I said by 1930. When I made the contract in 1916 I felt that by 1926 money would be below 4 per cent, and it may be, but remember we

were all hopeful that in 1916 the war would be over, at least I was, and it wasn't over for a couple of years. However, I am willing to say still that I believe in 1926 money will be below 4 per cent in this Province, unless our credit is destroyed in some way, and it might be.

COMMISSIONER HARRIS: Q--How ?

A--In different ways. I would not like to be personal, Mr. Harris, what I have in my head, but there are different ways in which it might be destroyed. I do not wish to express those views.

COMMISSIONER HANEY: Q--You are out of politics now ?

A--Out altogether, yes, but I might get in again if I saw things going to destruction, or anything like that. I am still a resident of Ontario, you know.

COMMISSIONER HARRIS: I thought the fact of your getting out had broadened you out ?

A--I had broadened out by living in another Province where they have got no Hydro-Electric energy and where they want it badly. I have often thought that while Sir Adam Beck and I differed very often personally, after my residence in British Columbia, he was right and I was wrong.

Q--They have other lines out there that have quite a broadening effect too ? A--Oh, yes, other lines, and yet they have not induced me to remove there.

THE CHAIRMAN: You go there frequently ?

A--Oh, yes, I do, but I always come back.

Q--Mr. McGarry, did you make any investigation as to the value of this plant that you were purchasing?

A--None whatever, I had nothing whatever to do with that part of it. As a member of the Government, we passed on it when the recommendation came in.

Q--It was an unusual thing for the Provincial Government to buy these utilities, street railways, gas plants, pulp mills

and flour mills ? A--Quite so, quite unusual.

Q--Well, you would have to have pretty strong reasons for making such a radical departure in your policy ?

A--We had.

Q--Those sort of things might not strengthen the credit of the Province ? A--They might not if you went far enough. That is a question, however, to determine after this industry has had an opportunity to prove itself. I would not say that since 1917 down to now any industry should be judged on the record made during that time, because the time was unusual, and by the way I read Mr. Bonthron's figures with regard to losses on this system, and if I were judging that I would say that the time should be taken into consideration, the increase in cost of everything, cost of wages and material. I say it is not a reasonable time to compare the years from , say, 1910 down to 1914 with from 1916 to 1920, I wouldn't do that.

Q--Was it the intention of the Government, when it made this purchase, to continue to keep the ownership of the property in itself ? A--No, that was not the intention of the Government. The intention of the Government was to acquire it, to hold it and let it be administered by the Hydro until such time as we would be able to bring it under the regular Hydro Act.

Q--And it was the intention that it should be brought completely under the Hydro Act? A--That was my understanding, yes, that ultimately it would be brought under it, but the Government would have to first get rid of these industries, because you could not bring these under the Hydro Act.

Q--You think it was well to get rid of the industries at the first favourable opportunity? A--That would be my judgment. For instance, the pulp plant. If I had been managing that I think I would have sold it in 1920 when the pulp industry was at the peak of its successful run.

COMMISSIONER HARRIS: Q--And when they had a good offer? A--Yes, I think I would have sold it then, but the people who were managing it had a better idea of it than I would have. I am in the pulp business now --

Q--Did you ever know of a Government selling anything ?

A--How do you mean ?

Q--Selling anything that they had acquired ?

A--Why, yes, they sell stamps, for instance. Of course, they sell things.

Q--When they acquire a railroad, or anything of that kind?

A--Well, they might sell the T. & N.O. At least at the time I was a member we would have sold it if we had got enough. But you think the Government would be a poor dealer, is that the idea, Mr. Harris ?

Q--They never seem to know enough to sell anything they have got ? A--That is quite possible. Speaking seriously, however, I think that they should wait till we are back to a normal condition before they offer the industries for sale that they acquired.

Q--Why should the municipalities buy those industries?

A--The municipalities don't buy them.

Q--The Government bought them for the purpose of turning them over to the municipalities ?

A--Not the industries.

Q--The power plants ? A--That is a matter that would have to be worked out with the Hydro. I confess that I do not know how they do it.

Q--Every other system is under the Hydro-Electric Power Commission of Ontario. The Central Ontario system is the only one that is not. The municipalities have a signed agreement to come in and assume the liabilities. If they assume all those liabilities the Government is under no liability at all.

A--No, but they put up the cash.

Q--The Government puts up the cash, they are acting as Bankers. Here is an instance where the Hydro and the Government both depart entirely from the policy that has been in operation ever since Hydro commenced.

A The Hydro was not in line with us on that, that is my own judgment, but the Government determined to relieve the paople of this section of Ontario, by buying that power, and when they had it in such a position, they could turn it over to the municipalities. That was my opinion.

Q--Why should the municipalities and the people being served by the Central Ontario System ever consider buying those things from the Government ? A--Why should they consider it ?

Q--Yes. A--Well, I don't know why they should. I know this-

Q--They would be foolish to do so? A--I grant you that, but the Government can carry on the Central Ontario System without the people taking it over if they don't want to take it over. The Government has put up all the money for the development of Niagara Falls, and those enterprises, and the only way in which they are vested in the municipalities is because under the Hydro Act they are liable.

Q--The municipalities are liable ? A--Yes, but in the meantime it is all Government money that is in there.

Q--I know, but it has to be repaid by the municipalities. Here is an instance where the people don't have to repay it.

A--They will have to repay it, and you as private owner of an electrical enterprise know very well that when you are figuring on the cost at which you can sell electricity, you are fixing a price on your money, aren't you, and its depreciation and return.

Q--Yes, but they are not doing that on the Central Ontario system? A--They will when they get back to normal times.

Q--How can they ? A--They can do it easily enough.

Q--I don't see how they can? A--If you wait you will find out . I have in my mind what we had in view when we bought it, that if the municipalities decided they would not take it later the Government can continue running it.

Q--Under all the other Hydro systems throughout the country the Hydro scheme and policy calls for the repayment of any costs that have gone into this, but the Central Ontario doesn't.

A--But there are some systems under the Hydro Act in which they are not repaying costs. I think Windsor is one of them and the sinking fund was deferred there because that line was not able to carry the load for a number of years --

Q--In all cases, if the Hydro desires to do so, they can postpone the payment of sinking fund for five years, that is allright, but here there is no sinking fund provided for at all under the Act or anything else, I mean, in the Central Ontario System ? A--Because the Government own that whole system.

THE CHAIRMAN: Q--Yes, but why should not sinking fund have been provided to meet, at any rate, part of the bonds?

A--Not yet, I wouldn't provide any sinking fund yet.

Q--All the Hydro plants throughout the Province are operated that way ? A--You are mistaken as to that.

Q--I say all the Hydro undertakings are contributing to sinking fund after the period of five years ?

A--Well, after a certain period, yes.

COMMISSIONER HARRIS: Q--Under the Act, they have to do it. There is no provision at all in this Act for providing sinking fund.

Q--I know, because this does not come under the Hydro Act.

Q--That is a new policy, created by the Government at that time ? A--Yes.

Q--An entirely new departure from the Hydro policy? A--Yes.

Q--For instance, all these people in Brantford and Hamilton and all those other systems, think they are discriminated against, all the way down the line ? A--All right. The pedple were satisfied to be put in that position. They knew we were doing that.

Q--Who knew ? A--All the people from thesedifferent towns served with Seymour power.

Q--Oh, yes, I should think they would be delighted, because they have no responsibility or liability ?

A--The main thing is to satisfy the people of the whole Province, and the people of Eastern Ontario had nothihg, while you people in Hamilton and those other towns in Western Ontario, all through here, were getting your electricity --

Q--They were getting the same electricity as they have got since ? A--Pardon me, they were not satisfied with the powerat all.

Q--Are they satisfied with it now ? A--Well, I hope they are.

Q--They come here and say they are not? A--Well, you have that advantage over me. I know this much, however, that if you will wait you will find that the Hydro-Electric Power Commission will make the Seymour Power Electrical Development as successful as any other, but I say that the results have been judged ox four or five years that are not normal and that is not right.

COMMISSIONER R. A. ROSS: Mr. McGarry, Mr. Harris has brought up the question of discrimination against Brantford and other places. Brantford pays sinking fund ? A--Yes.

Q--And Brantford has that returned to it in ownership?

A--Yes.

Q--Do you find any discrimination there ? A--No, I don't.

Q--The Central Ontario System is owned by the Government,

and the Government charges nothing for sinking fund ?

A--No, not yet.

Q--If it charged for sinking fund who would get the benefit of it ? A--Who would get the benefit of the --

Q--Of the sinking fund ? A--Nobody would get the benefit of it eventually.

Q--Wouldn't the municipalities get the benefit of it in ownership? A--No. They will do the same thing with this plant, if they want it, the Central Ontario will collect a depreciation account out of the users of power.

THE CHAIRMAN: They do that now.

A--Probably not enough. What I am trying to work out is this: We paid $3,350,000 for the System. You have certain interest charges and depreciation charges, and what I say is that, in the course of a number of years, the Government will be paying all that money back out of the users of power.

COMMISSIONER R. A. ROSS: And the municipalities will own the properties ? A--They will not own the property unless it is taken into the Hydro Act that Mr. Harris spoke of a moment ago. It will be owned by the Province --

Q--There was some reference made to the plants not paying their indebtedness outside of sinking fund ? A--Yes.

Q--Are you aware there is a surplus there of a million dollars ? A--Where ?

Q--In the Central Ontario System ? A--No, I wasn't aware of anything about it, except what knowledge I gained while I was a member of the Government. I am speaking generally now. I have gotten into an argument on something that I don't know very much about, in fact, I know nothing about it. You see, it is several years since we took it over.

Q--I want to remove this idea that may be getting to the papers that they are being discriminated against, because I

don't think they are personally.

A--Who are being discriminated against ?

Q--The other municipalities.

COMMISSIONER HARRIS: Of course they have been, unless the Central Ontario System is brought under the same regulations and policy as the other systems. Take Kingston, for instance; Kingston has a contract with the Hydro for the use of power that they supply from the Central Ontario System. It has been urged that certain legislation be passed and this thing turned over. Kingston says we won't take anything else because we have a contract with the Hydro for a period of years under which we get our power at a fixed price, we are satisfied. They haven't to assume any liability at all. Isn't that a discrimination against those municipalities or cities who have to pay a sinking fund? A--I don't think so, I don't think that is any discrimination at all.

Q--I would consider it so. Take two individuals, for instance, supposing I made a contract with one power concern, and I get my power and they state your contract must be that you pay sinking fund, and so on, at a period of time you will own your interest in this plant. Another customer says Well, no, you give me that fixed rate as the price of power, and I have no liabilities at all, I have none whatever, I will stick right to that. I think that the man who has got his fixed rate of power there without any liability at all is in a better position than the man that has a liability?

A--When you are speaking of the man who is paying sinking fund you are speaking of the man who comes under the Hydro Act?

Q--Yes. A--In the other case you are speaking of the man who comes under the Central Ontario Power Company with the fixed rate, is that the idea ?

Q--Yes. In one case, the Government is financing the proposition, and in the other the municipalities are?

A--No, but it will be up to the Hydro-Electric Power Commission

c if they find that the towns concerned in that development do not wish to acquire the system and come under the Hydro Act, when they are in a position to transfer it, to place rates against those who do not come under the Act which will be fairly adjusted in compliance with the position of the other municipalities themselves under the Act, bearing in mind always that the municipality under the Act is acquiring the right to the power. For instance, in Brantford if you are paying the sinking fund, or paying towards the sinking fund, you are acquiring an interest in the Hydro-Electric development in Brantford whereas the man in the Central Ontario district is acquiring nothing, and in twenty years is no further ahead with regard to ownership than when he started.

Q--If thatwas your idea, and they were anxious to have Hydro, why didn't the Government and Hydro make them take power on exactly the same basis as those other people ?

A--Why, I am not a power expert and am not here for that purpose.

Q--I am a'grabber', I don't suppose you are one ?

COMMISSIONER HANEY: Q--Mr. McGarry, wouldn't the natural working out of this system be this way: When the Hydro, in its management, reaches a point where it could reasonably provide a sinking fund to pay off this obligation, or the obligation of the Government, if they provided for that sinking fund, and that sinking fund, naturally, would accumulate, the Government would be paid back in a certain time. Then in their negotiations with the municipalities it would be shown to the municipalities that this sinking fund was provided, and if at any time they wanted to come in under the Hydro Act they would get the benefit of the sinking fund which was provided. A--The whole thing can be worked out by legislation, as we have worked out a hundred different questions. Session after session the Act has been changed to include other things, the development at Eugenia Falls, and

half a dozen other places.

Q--If the sinking fund was provided to pay off this property, and if the municipalities came in the Government could easily arrange to give them the benefit of that sinking fund ? A--Decidedly so.

Q--But if they still continued to say, well, we don't want to come under the Hydro Act, all right, the Government then would be reimbursed from the sinking fund just the same as the municipalities would if they came in ?

A--Quite so, I quite agree with you.

THE CHAIRMAN: Q--Mr. McGarry, did you make any examination of the existing contracts ?

A--Nothing whatever.

Q--With the Seymour Power Company ? A--I never had anything to do with that. I had nothing to do with anything, except as to the bonds.

Q--Who carried on the negotiations on behalf of the Government ? A--Mr. Ferguson, principally.

Q--And who else, anyone else ? A--Well, I don't know of anybody else. I mean, I was never brought into it until the day the contract was signed. I knew the negotiations were going on, and how far they had gotten from time to time. Mr. Ferguson reported to the Government.

Q--Mr. McGarry, I think you said that the Government took over this property with the idea of eventually turning it over to the municipalities to operate under the Hydro System ? A--That is what was in our minds, as members of the Government, but it was never put in concrete form, no, because our main object then was to acquire it, and if it worked out, as I say, when the proper time came then these industries could be turned over --

Q--Had the Government anything in the nature of a guarantee from the municipalities, individually or collectively, that they ever would take over this property under the Hydro

System ? A--I don't know anything as to that, I know nothing about that.

COMMISSIONER HARRIS: It seems strange that, in dealing with the Central Ontario System, the Seymour Company, the same practice was not followed as was followed on all the other Hydro systems. Even at the very inception of the Hydro, the Government didn't buy anything at that time; ten or twelve municipalities came into it, came to the Government and requested the legislation, and those ten or twelve municipalities all went into an agreement to take power on such a basis that the whole of the money would be repaid.

A--But the Government did try to put this under the Hydro-Electric System. This company and Sir Adam Beck had been negotiating for a couple of years.

Q--Why didn't the Government sit back, no one was suffering down there ? They had cheaper power at that time than they have had since ?

A--I assume, from what you say, that we should have left it alone altogether.

Q--Yes? A--But we had delegation after delegation from those municipalities, that is what I am talking about. We were practically driven into this by public opinion in Eastern Ontario and, after all, that is what a Government is for, to represent public opinion and to do what the public wants.

THE CHAIRMAN: Q--Might it not have been well when those municipalities came and asked the Government to act in this way to say, We will do so on condition that you will undertake to take this over later on, we will finance it in the meantime if you will undertake to repay the money. You say you made investigation ? A--I made no investigation, but the engineers for the Government made investigation.

Q--I don't think so? A--Oh, yes.

COMMISSIONER HARRIS: Only for the Hydro.

THE CHAIRMAN: Q--We are told that the Government engineers made no investigation ?

A--The Hydro engineers are Government engineers, in my opinion.

Q--Their valuation of the replacement values, or the actual value of the property was less than five million dollars ? A--Yes, but they were willing to pay more than that, of course. You cannot buy things for replacement value those days. You could not buy any of Mr. Harris' enterprises for the replacement value. It is nonsense to talk about buying anything for replacement value.

Q--Were you aware, Mr. McGarry, that a number of the municipalities being served by the Seymour Power Cpmpany have contracts with the Seymour Power Company that they should have the right to take over this plant at the replacement value, and that that right still exists ,- not the replacement value, but physical value ?

A--Then the Seymour Power Company, or at least its managers, were not as acute business men as I thought they were. They wanted very much more than we paid for this, you know that. Their price was very much more than that.

Q--We are told that the Hydro's was very much less ?

A--Sir Adam Beck approved of this offer of $8,350,000 ?

Q--Yes. A--Then why do you say the Hydro price was low ?

Q--They negotiated with the Seymour Power Company, Mr. McGarry, before the Government came in, and the price they offered the Seymour Power Company --

A--Did you ever get a dealer to offer his lowest price when he was negotiating ?

Q--Some times ? A--Very seldom.

Q--He doesn't start usually at that ? A--If I remember rightly, the company were asking for ten million dollars. What you tell me about them offering those individual plants to municipalities at replacement value is rather inconsistent.

Q--Actual physical value. A--Actual physical value ?

Q--Yes. Those were contracts which were made, I think, by the Seymour Power Company when they went in and established their plants at different places. The municipalities gave them the franchise on condition that they should have the right to take them over at a certain time on the physical valuation ? A--Well, of course, I cannot speak as to that. Anything of that kind would be brought to the attention of the Hydro engineers, I should think.

HON. MR. LUCAS: That would be for the local distribution systems only, and did not include the main scheme.

THE CHAIRMAN: Certainly.

A--With regard to the price, I say this much, that the best evidence the Government were able to obtain was that $8,350,000 was a fair price for it, and we bought it believing it was in the interests of the people of the Province to acquire.

COMMISSIONER HARRIS: The only report on it was from the Hydro ? A--I assume so, I don't know. I wasn't doing the negotiating.

COMMISSIONER HARRIS: I think Mr. Ferguson said that.

THE CHAIRMAN: Yes. Is there any question, Mr.Lucas, you would like to ask Mr. McGarry, or you Mr. Gaby ?

HON. MR. LUCAS: No.

MR. GABY: No.

HON. I. B. LUCAS - Examined.

THE CHAIRMAN: Mr. Lucas, apparently you were a member of the Hydro-Electric Power Commission of Ontario in 1917 ?

A--Yes.

Q--In looking up the records of the company we find that, by Resolution, certain salaries were voted to certain officials of the Hydro, by the Ontario Power Company: Sir Adam Beck, $6000, and Mr. Pope and Mr. Gaby $2400 each, and certain payments to others. Have you any recollection of that ? A--Oh, yes.

Q--Were you consulted as to the legality of that action ?

A--I don't know that I was consulted. I quite recall some consideration as to whether it was legal or not.

Q--There was some consideration ? A--I don't think it was referred to me in any professional way. My recollection is -- and I am speaking now without having refreshed my mind -- that there were opinions of Counsel. I have that in my mind, and that Counsel were very clearly of the opinion that it was perfectly and absolutely legal and proper.

Q--Do you recollect when the matter was submitted to Counsel?

A--Well, no, I cannot say that I recollect that in detail. I am now giving only my best recollection without having refreshed my mind since that in any way. I think it was Mr. Kilmer that I talked with most about it, and I think it was referred to him professionally, I think so. I fancy you will find an opinion by Mr. Kilmer.

Q--Did you ever pay him for his opinion ? A--I am saying now --

Q--You think it was done in a regular way ?

A--I think it went before Mr. Kilmer in some way.

Q--Have you any idea in what way ? A--I have always had it in my mind that Mr. Kilmer's opinion was taken at that

time. Now, I may be wrong, it may have been Col.McInnes.

Q--And before the action was taken ? A -I think so.

Q--Of course, you are aware of that section of the Act which says that the remuneration of the Commission is to be fixed by Order-in-Council? A--Oh, yes, that is under the Hydro Act.

Q--Yes. Well, this was taken under the Hydro System, was it not ? A--This was the Ontario Power Company of which we were the directors.

Q--It was part of the property owned by the Hydro?

A--The directors had full authority to deal with the matter, and my recollrction is that Counsel was taken as to whether there was any limitation, and the view was not, and I think that has been dealt with at a later date.

Q--In what way ? A--When the salaries were increased.

Q--In what way, dealt with by whom ?

A--By the Commission.

Q--By anyone else but the Commission ? A--With the knowledge of the Government.

Q--Was an Order-in-Council ever passed sanctioning them ?

A--I don't think that is required.

Q--Well, was it ever passed ? A--I don't think so, it would not be required.

Q--Was there any communication between the Hydro and the Government about it ? A--I have always understood so.

THE CHAIRMAN: Was there, Mr. Pope ?

MR. POPE: I cannot say offhand.

THE CHAIRMAN: You ought to know, as secretary, if there was?

MR. POPE: I haven't had an opportunity of examining the records.

THE CHAIRMAN: Could you let us know ?

MR. POPE: I think there were verbal communications.

THE CHAIRMAN: Could you let us know if there were any communications? Wouldn't you have some knowledge of it ?

MR. POPE: They would be on the files, unless the Chairman had it personally on his own file. I don't know about his file. Your people had access to all the files.

THE CHAIRMAN: But your files are so voluminous we might miss finding anything of that kind there.

MR. POPE: I would have to go through them just the same as your people would.

THE CHAIRMAN: If there is anything there you would be able to find it ?

MR. POPE: I hope so.

THE CHAIRMAN: Will you look it up, Mr. Pope ?

MR. POPE: I will.

THE CHAIRMAN: This is rather an important matter. There is $16,000 a year.

MR. POPE: I didn't get $2400.

THE CHAIRMAN: You are getting that now, aren't you ?

MR. POPE: No,sir.

THE CHAIRMAN: Those are the figures secured from the accountant.

MR. POPE: $2000.

THE CHAIRMAN: W.W.Pope $2400.

MR. POPE: No.

THE CHAIRMAN: F. A. Gaby $2400.

MR. POPE: I didn't understand that I was getting $2400, I thought it was $2000.

THE CHAIRMAN: You ought to know.

MR. POPE: I know what I am getting in total.

HON. MR. LUCAS: What I do know, Mr. Chairman, is, that the old Government had full knowledge of it.

THE CHAIRMAN: Q--In what way, Mr. Lucas?

A--Well, I was a member of the old Government, and it was a

matter of discussion.

Q--A matter of discussion, but there was no written communication that you know of ? A--So far as I know of.

Q--Isn't it rather unusual where the section says it must be fixed by Order-in-Council -- A--That is the Hydro Electric Power Commission.

Q--Wasn't this fairly a part of it ?

A--It was a company they had taken over. I know the Government had knowledge of it, and I think when the salaries were increased the present Government had the same knowledge, and there was some discussion.

Q--Assuming for the moment that it was legally right, do you think that it can be justified on other grounds ? Mr. Clarkson told us the other day he wouldn't have taken it without the formal consent of the Government to it if it had been voted to him ? A--I was a member of the Government at that time. The Government had full knowledge of the 1916-17 arrangement, and I am saying again that it is my understanding that the present Government had the same knowledge of the increases made since this Government came into power. They certainly officially had, because there was a member of the Government there supporting it.

Q--May be officially, perhaps. Surely where there is a large expenditure like this, and the question is raised as to its legality, the action of the Government or the Commission must be bound by Order-in-Council. Mere conversation with this man and that man in the Government is hardly sufficient, is it ? A--I think it is.

Q--You think it is ? A--Yes, in a matter of that kind, entirely so.

Q--With whom did you discuss the matter ? A--With the member of the Government.

Q--Who? A--Col. Carmichael.

Q--I mean of the old Government ? A--I cannot tell you that, and if I did it would not be proper for me to disclose it as a member of the Government. I know what the Government knew.

Q--Well, on that ground do you decline to disclose with whom you took it up ? A--I have no recollection, but I think every member of the Government knew about it.

Q--You have no recollection ? A--Of any detail.

Q--You are not aware whether you spoke to members of the Government or not ? A--I am aware it was a matter of discussion around the Council Chamber.

Q--And it was discussed in Council ? A--It was talked about, and they had knowledge of it. I am not giving you any details as to who were present when it was discussed.

Q--Did Sir William Hearst know about it ? A--I assume so, but I don't know.

COMMISSIONER R. A. ROSS: Do those amounts appear in any public documents ? A--The Government Auditors, of course, were there to check them up.

Q--The reports of the Commission? A--Yes, the Government Auditors.

THE CHAIRMAN: Q--Who are the stodkholders of that company ? A--The stockholders, I assume, are the Government.

THE CHAIRMAN: Mr. Pope would know.

MR. POPE: Hydro. There were a certain number of shares outstanding for a number of years, but they have all been secured since.

THE CHAIRMAN: Mr. Pope, how much stock stock is held by the officials ?

MR. POPE: Just sufficient to qualify them as directors.

THE CHAIRMAN: That would be how many shares ?

A--Two shares.

Q--So that the number of shares held there would be now many ? A--Seven of them, I think.

Q--That would be fourteen shares ? A--Yes.

Q--Now, who held the other shares ? A--The Hydro-Electric Power Commission.

Q--That would be the shareholders then ? A--Yes, sir.

Q--Was there ever a shareholders' meeting called ?

A--Yes, sir, many of them.

Q--And was the action of the directors in voting this money to themselves brought before the shareholders ?

A--Yes, sir, and approved of.

Q--Have you got the record of that ? A--Yes, sir. You will find it in the Minutes, approved of by the stockholders.

Q--The directors and stockholders represented at the meeting would be exactly the same ? A--I am telling you how the stock was held.

Q--And who represents the Hydro-Electric Power Commission at the meetings ? You said that all but those fourteen shares were held by the Hydro-Electric Power Commission ? A--It would be the Hydro Commission.

Q--Yes, but some person would have to cast a ballot for them at the shareholders' meeting ? A--I cannot just tell you the details, the minutes would show. I cannot tell you offhand. It was an entirely separate company, the Ontario Power Company. Until the last couple of years it was an entirely separate company, when it was decided that it should be run as part of the Hydro, but up to that time, as I say, it was always a separate company. After the shares were all in we had to have our Annual Meetings, and everything had to be done in accordance with the requirements of the Company.

Q--Who were the directors of those companies you have just taken over in the clean-up deal ? A--Some of those companies have five, some seven and some nine directors.

Q--Would they be made up of officials of the Hydro ?

A--Absolutely.

Q--And have they taken action in any of those as to the salaries to be paid you people ? A--Not yet.

Q--They would just have as much right to vote those salaries in this case as in the other case, legally?

A--I am not prepared to give you any legal opinion just now.

Q--Would you say whether that is so or not ?

A--I would prefer to have our Counsel determine that. Personally, I think they have. I was confirmed in that --

Q--I think the auditor raised the question in his report, did he not ? A--I don't think so, because he took the salary himself.

COMMISSIONER R. A. ROSS: Q--The Ontario Power Company is still a company? A--Yes, sir, and has to be until the Trust Mortgages are paid off, it has to be operated as a company.

THE CHAIRMAN: I think it is very proper to operate it as a company.

COMMISSIONER R. A. ROSS: Q--Did you say a minute ago that up until two years ago it was operated as a company ?

A--Since that time the auditors have a different way of book-keeping, or something of that kind, which Mr. Clarkson discussed here.

Q--That is referring only to the auditors ? A--Yes.

Q--Not referring to the organization of the company ?

A--Not at all.

COMMISSIONER HARRIS: Up to two years ago 20 per cent of the stock was outstanding ? A--Not 20 per cent.

Q--Since then thay have got that all in ? A--There was some of the stock held in England and we could not get that

back during the war, because there was some difficulty in getting that stock transferred. After the war was over then we got after it, and all except two or three shares,- and that we had difficulty in locating, but latterly we got all the shares transferred. There was about 90 per cent secured at the time of the purchase.

THE CHAIRMAN: Q--Mr. Pope, when are the Annual Meetings of the Ontario Power Company held ?

A--Well, sir, March I think it is.

Q--You have a fixed date each year ?

A--The Bill provides for it.

Q--Do you recollect which year it was that the shareholders ratified the action of the directors ?

A--Every year, all that the directors did.

Q--Oh, yes, but I mean those increases, would they be specifically dealt with, or just dealt with in general?

A--I don't think it was specifically dealt with.

COMMISSIONER HARRIS: Q--There is to be a proxy for the stock outside of those fourteen shares ? A--Yes.

Q--In whose name was that proxy issued.

A--I would have to look that up, Mr. Harris.

Q--Would you look that up and let us know ? A--Yes.

THE CHAIRMAN: Q--Do you keep the Minutes, Mr.Pope ?

A--I do, sir.

Q--What services do you especially render to the Ontario Power Company for your salary? A--Everything that happens in the Ontario Power Company.

Q--When the Chippawa was built that added a good deal more?

A--It did, very much. I got nothing extra, except for the Ontario Power Company.

Q--And you got nothing more for that, except you took over the company ? A--It greatly increased the work of a few of the officers.

Q--When you took over the Central Ontario, did you get anything extra for that ? A--No, sir.

Q--That increased your work, didn't it ? A --It did.

Q--Were there any others which you took over which increased your work? A--They all increased it very much, but I got no increase .

Q--The only increase you received was on account of the Ontario Power ? A--Outside the Hydro.

Q--That is the only one ? A--Yes, sir, and that was done immediately the companies were taken over.

Q--Immediately the companies were taken over ?

A--Immediately the sale took place. Immediately after that the salaries were fixed for the officers of the Ontario Power Company, very shortly after that.

Q--And there is no specific resolution authorizing it ?

A--Resolution of what ?

Q--Of the shareholders ? A--I think there is .

Q--I thought you said it was just in general terms?

A--I think there is one as to that.

Q--You think that is a specific one in this case ?

A--I think so.

COMMISSIONER HARRIS: Q--That would be done by the directors ? A--Yes, and approved of by the stockholders.

Q--When you go to the stockholders you have that general blank resolution ? A--I think so, but I am not quite sure.

THE CHAIRMAN: Q--You have the minutes there in the books?

A--Yes, sir, and you have had access to everyone of them.

Q--I haven't personally ? A--Your people have. Everything, I may say,has been placed at your disposal.

Q-- Are the minutes of the shareholders' meetings in the same book as the minutes of the directors' meetings ?

A--I think not.

Q--Did not someone in your office tell our representatives

that there were no minutes of the shareholders' meetings ?

A--I cannot tell what they told your representatives.

COMMISSIONER HARRIS: Q--Are you secretary of the Ontario Power Company? A--Yes, sir. I don't know what your people have been told.

THE CHAIRMAN: Q--They haven't seen any shareholders' meetings at all.

A--There have been shareholders' meetings held.

Q--You are quite sure you have records of shareholders' meetings? A--I am sure we have.

Q--Is there a special book for them ? A--I cannot tell you that now.

Q--That is rather an important company, and you meet once a year --

COMMISSIONER HARRIS: Q--Do you keep the Minutes of the meetings of the Ontario Power Company directors and shareholders ? A--Yes, sir.

THE CHAIRMAN: Q--How often are the directors' meetings held, Mr. Pope ?

A--Oh, at intervals.

Q--Sometimes six months between them ? A--It is possible, but I don't think so, though it is possible it may be so.

Q--Then if one of us, or our representative, should go to your office he could see your Minutes of the Shareholders' meetings? A--The Minutes are all there.

Q--I think I will go myself, accept your invitation and take a look at them? A--Everything is right there. We have endeavoured to proceed regularly and I hope we have succeeded.

F. A. GABY, Examined.

THE CHAIRMAN: Q--Mr. Gaby, we subpoenaed Sir Adam to appear here this morning and he is not here ?

A--I had word from Sir Adam last night that, under Doctor's orders, he was ordered to stay in and go to bed, in view of bronchial trouble that he had. He has had it for at least two weeks, more or less, off and on, trouble with this throat and the bronchial tubes, and it is, apparently, a great deal worse today than it has been in the last few days and, as I say, he was ordered to remain in by the Doctor.

Q--Have you any authority to say when he will be prepared to appear ? A--No, I could not say. I expect, if he is sufficiently recovered that he will be here some time next week, but I don't know just what will happen in connection with this illness of his, whether he will be sufficiently well enough to attend or not.

Q--Our work in completingthe hearing on the Ontario Power Company cannot be finished until he appears. He was to have appeared at our last sitting. We sent word to him, and we understood that he would be here, but he did not appear then although he was campaigning at the time ?

A--Well, I don't just what the circumstances were in the last hearing.

Q--Of course, as you know, Mr. Gaby, in the case of the Court when a witness is subpoenaed he will have to produce a Doctor's certificate in order to be excused.

A--Sir Adam sent word to me last night stating that he had got the subpoena, and shortly afterwards he sent word over the private line to me to advise you of the situation, so that you would know the reason why he was not here this morning.

Q--I think you should have gone rather further than that and given us some statement as to when he is likely to be able to appear, because, although we wish to oblige him as much as possible, you must remember that our work has got to go on ? A--That will all depend as to the condition he is in. He is not in good shape at the present time. I know from my own personal knowledge that he is in very poor shape, in poor health. As far as this bronchial trouble is concerned, he gets it every year about this time, and he really should be confined to the house, as I have told him on a number of occasions, till he overcomes the evil.

COMMISSIONER HANEY: Q--You are not his Doctor ?

A--No, sir, but I know what has happened in three or four years as far as Sir Adam is concerned. I know that one year he continued to go around with that trouble and the result was pneumonia.

THE CHAIRMAN: Mr. Lucas, as legal adviser for the Commission, we must have some assurance that he will appear as soon as he is able to be out.

HON. MR. LUCAS: Oh, he certainly will. When would it be convenient for the Commission to meet here again ?

THE CHAIRMAN: We are meeting at Windsor on Thursday of next week. We should like to have heard him before then.

HON. MR. LUCAS: Well, we can undertake to let you know how he is progressing.

THE CHAIRMAN: Perhaps you would have some word by tomorrow.

HON. MR. LUCAS: Perhaps we may, yes.

THE CHAIRMAN: Can you let Mr. Bower, our secretary, know then ?

HON. MR. LUCAS: Yes, we can communicate with him. If Sir Adam is ill it may be indefinite, but we will keep in touch with your secretary and let him know .

MR. POPE: I should think about Tuesday would be safe.

I don't think he will be able to come out before then.

THE CHAIRMAN: I would just like to know what the prospects are.

MR. POPE: I should think possibly Tuesday.

THE CHAIRMAN: Well, Tuesday might suit us.

HON. MR. LUCAS: You had better not fix the time till we communicate with the Secretary.

THE CHAIRMAN: As soon as you definitely know when he can be here we can fix the date, Mr. Lucas. There is the possibility that on Tuesday he may be able to be here.

MR. POPE: I think that may be possible, if he is no worse.

THE CHAIRMAN: If some of the others of you are prepared to tell us all about the policy of the Commission, and so on, we might accept you, but there is a diffidence sometimes on the part of you men on that point.

THE CHAIRMAN: Mr. Gaby, what we want to speak to you about is in connection with some matters that came up at the hearing at Cornwall the other day, at which Mr. Jeffery was present.

There was reference in one of your letters to an understanding which is said to exist between the Commission and the Cedar Rapids Company by which they will not supply power in the Cornwall district without your consent. What is the nature of that understanding ? Is it a verbal one, or is it evidenced in writing ? A--That I cannot say, Mr. Chairman, whether there is anything in writing or not, but I know there was some understanding between the parties, and Sir Adam will probably be able to tell you more definitely on that matter.

Q--This is what your letter says, Mr. Gaby, written by yourself to Mayor Chisholm of Cornwall, dated February

24th, 1921:

"On the return of Mr. Jeffery to the office, I am informed by him that you are anxious to know the understanding between the Commission and the Cedar Rapids Company regarding the supply of power to your municipality and the district adjacent. I wish to confirm Mr. Jeffery's statement that there is an understanding between the Commission and the Cedar Rapids Company to the effect that the Commission will take charge of all increases for power in this district, including your municipality, and that the company will in turn not compete with the Commission."

A--That is my understanding of the situation. As to whether I have got anything in writing I would have to look up the records.

Q--Mr. Jeffery said he thought it was a sort of a gentlemens' agreement ? A-- I think it is entirely that. We have a contract in writing, but as to whether that includes the undertaking that they are not to deliver any more power than they are generating from the St. Lawrence Power Company is another matter.

Q--They are not to compete with the Commission, is what you say in this letter ? A--Yes, that is our understanding.

Q--Mr. Jeffery says:

"I went to Mr. Gaby and he gave me the understanding it was a verbal arrangement -- a gentleman's agreement - made with the company whereby they would not compete in the district with us."

Is that correct ? A--As to whether there is anything in writing --

Q--He says he does not think it is in writing ?

A--I am not so sure about that.

Q--Well, then the President of the Board of Trade of

Cornwall appeared before us, and this is what he said, this was the question:

"Do you know anything about a letter from the Commission stating that there was an understanding between the Commission and the Cedar Rapids Company?

A--I have a copy of that letter on our Board of Trade files.

Q--Did you make any inquiry as to whether that statement was well founded ? A--Our Board did make inquiry and that might have some bearing on the matter.

Q--What did you find out about it ?

A--We found out, sir, that we could get power from the Cedar Rapids Company.

Q--That there was no such understanding ?

A--I was not one of the delegation that interviewed the Cedar Rapids Power Company, but to my knowledge that was the information that there was no understanding."

A--Well, the understanding we had, as far as I remember the discussion, in conference which we had with Mr. Davies, who was President of the Cedar Rapids Company --

Q--Did you see him personally? A--I was at a conference at which he was present.

Q--And that was at that conference ? A--That and other conferences.

Q--And other conferences which you had with him that this understanding was arrived at ? A--Yes. I don't know that their Manager down there knows about it at all.

Q--There were several things that we asked Mr. Jeffery to produce to us, and on the 5th December we wrote a letter to the Commission, attention of Mr. Jeffery, calling his attention to them, giving in detail a memo of what we required,

but although it is nearly a month ago we have not had a reply to this since that time.

MR. JEFFERY: I might say, Mr. Chairman, that some of that information will require at least three weeks. We have had men working on it ever since you wrote the letter. I asked Mr. Pierdon how long it would take to get it out. That was the information regarding the amount of purchases from the Eugene Phillips Company, and we have to go through our records running back for a number of years, and they are very voluminous. We have had men on it now for almost a month, and Mr. Pierdon says it will take at least three weeks or a month longer.

THE CHAIRMAN: Just to look into the correspondence with the Eugene Phillips Company ?

MR. JEFFERY: It is not correspondence, it is looking in of the Commission's orders running back for a number of years, and to check up the prices from other companies, which is a very big job.

THE CHAIRMAN: Well, it seems to me that that is rather more than we would require.

MR. JEFFERY: That is what we were asked for at Cornwall. I didn't question it at all.

THE CHAIRMAN: Which question is that, Mr. Jeffery ?

MR. JEFFERY: I don't know whether it is on this letter or not.

THE CHAIRMAN: I don't see anything that, to me, would entail anything like that amount of work.

MR. JEFFERY: There was another letter, probably it is in it, but we were asked for that, for certain information. Is it not on the other letter, I haven't got a copy of it here.

THE CHAIRMAN: Oh, I see.

MR. JEFFERY: That is a very big job, answering that

particular one . I might say, Mr. Chairman, that if I had known that you were going to have a meeting this morning I could have had an answer to all this ready practically.

THE CHAIRMAN: I don't think there is any great amount of work required by that letter of 5th December.

MR. JEFFERY: If I had had a day's notice I could have had these allanswered, but I have not got them in shape to give you now.

THE CHAIRMAN: It isn't necessary to wait till you have everything ready. You could furnish us with what material you have available.

MR. JEFFERY: I have had men digging that information up but, as I say, If I had had a day's notice I could have had nearly all that here this morning.

THE CHAIRMAN: If any request involves a great amount of work, such as you suggest, it might be well to let us know that and we may modify the request, so that you could do it in less time.

MR. JEFFERY: I called Mr. Bower's attention to it.

THE CHAIRMAN: I never saw this letter.

MR. BOWER: Not me, Mr. Jeffery.

MR. JEFFERY: I was talking to one of your men about the amount of work that would be required to answer that particular question.

MR. BOWER: I do not recollect the conversation, Mr. Jeffery.

MR. JEFFERY: I am not sure whether it was with yourself or not.

THE CHAIRMAN: I think you did say it was a considerable amount of business that you did with the Eugene Phillips Company.

MR. JEFFERY: I don't know just what the amounts were.

THE CHAIRMAN: The one you referred to is evidently the letter of December the 6th.

MR. JEFFERY: Yes, I believe it was another date, but

we can get all the answers to those questions. I could have them ready by tomorrow night, but I am excepting that one.

THE CHAIRMAN: Oh, well, send them along, will you.

MR. JEFFERY: I am sorry I haven't got them ready for you.

MR. POPE: In fairness to Mr. Jeffery, I might say that I only got your message about 5 o'clock in connection with this meeting, and I called him at once and showed him the notice. That was delivered to me about 5 o'clock.

THE CHAIRMAN: That is not very long notice, certainly.

Q--Mr. Gaby, do you know anything of the price quotation given to the Eugene Phillips Company for location at or near the limits of Cornwall ? A--Yes.

Q--What led to the change of the quotation ?

A--Well, in the first place, we had fully expected that the municipality of Cornwall would become a partner in the undertaking with the other municipalities when the first prices were given to the consumers within the municipalities, or adjacent to the municipalities, and we had considered that they would eventually become a partner in that undertaking, because their franchise was expiring within a few years, and that they would eventually become a partner, and we had been given some assurance by the various meetings that they had had in reference to the extension of the franchises, and the bylaws which had been placed before the people of the municipalities. Subsequently, a by-law was placed before the municipality in which an extension of franchise was given to the present company of some years.

Q--Not an exclusive franchise ? A--No, but an extension. Therefore, we had no municipalities to assume the liability for any custom within that municipality.

Q--But was one of the conditions that the municipality should assume the responsibility? A--No, there was no condition of that kind attached to it, as I remember it, but just simply

an explanation in connection with it.

Q--So that really both estimates were submitted without any liability on the part of the municipalities ?

A--No, no express liability.

Q--Did you experience a change of heart after the vote had taken place ? A--Well, we knew then that this vote, as I remember it, was reversing the previous vote of the municipalities in reference to extension of franchise, therefore, we knew that there would be no possibility of obtaining a contract from that municipality for a number of years on account of the extension which they had given to the present existing company.

Q--If the vote had been the other way wo ldn't the estimates have been changed? A--I doubt whether they would, because the municipality would have been taking power from the Commission within one or two years.

Q--They might have come in then ? A--In all likelihood they would have.

Q--Would you assume they might come in ? A--Because they had turned down the franchise, yes.

Q--Why should you have made that change to this particular company just because of that ? A--Because the other municipalities were assuming the whole responsibility and we, as trustee for those municipalities, were assuming the whole responsibility in reference to that contract. We, therefore, had to take full responsibility for it on behalf of the other municipalities.

Q--And you felt that there was an opportunity to assist the municipalities which were bearing the burden ?

A--I should say so, yes. In other words, we should not make an imprudent contract, or some municipalities in that district assume the amount of power that this company would be relieved of.

Q--When you gave them the original estimate you had no idea of lines being installed ? A--No, because it was a part as I remember it, of the first consideration, that is, as to the use of these lines within that district.

Q--Do you think it right to discriminate against municipalities in that way, that is, turning business, as it were, to the municipalities which have contracts with you in preference to those that have no contract with you ?

A--We were dealing with individuals in connection with this proposition.

Q--But the fact of increasing the estimate given to the Eugene Phillips Company if they located at Cornwall would be to make them look in some other direction , or put the others more on an equality ? A--Not necessarily. Those rates are lower there than Brockville.

Q--Oh, yes, but they are not nearly as low as they were in the original estimate? A--Probably not, because the conditions under which the estimates were prepared were different.

Q--And that difference was that they had voted then to continue the franchise ? A--No, that was not the contention. The contention was that we had to take into consideration the possibility of those lines not being used after the termination of the contract with the company, therefore, we had to, in some way, obtain the necessary moneys out of revenue to wipe out the investment in connection with that undertaking.

Q--Couldn't you have secured yourself in the contract with the company against any possible loss in that way ?

A--No, there is nothing in that except the carrying out of the terms of the contract.

Q--What is the term of contract? A--Ten or fifteen years.

Q--For how long was this franchiseextended? I am under the impression -- I speak subject to correcttion -- that it was

for a shorter period than the term covered by the Eugene Phillips contract ? A--Yes, eight or ten years, I belic it was.

Q--I do not see hardly what bearing that would have on the price ? A--Well, that, as I recollect it, was the only real considerationthe Commission gave to the change in prices.

Q--Mr. Jeffery, at the Cornwall hearing, was asked:

" Q--What occurred between April 8th and September 22n to make the raise in your price of $3 and $6 ?

A--It was the Cornwall By-law issue and the representations of the other municipalities on the system."

Do you recall the other municipalities making representations to you that it would not be fair to them to quote the price tha you had to the people of Cornwall ?

A--I don't know that they interfered with the price that we gave to the company. The delegations may have stated that it wasn't fair to them to enter into contract with this corporation in that district in which they were assuming the whole responsbility, unless we had sufficient in store to take care of that contract and redeem the expenditure made by the Commission. In other words, we are acting as Trustee for these municipalities, and they were assuming the whole responsibility in connection with that contract.

Q--I see your point, I think it is arguable. You have contracts, though, with other private concerns in the vicinity of Cornwall, have you not ?

A--We have, yes.

Q--In and about Cornwall ? A--Just at the limits of Cornwall.

Q--And it would seem to me that there should be no distinction between them and the Eugene Phillips Company in the matter of price, or should be none ? A--I don't know tha there was, because the price that they had -- I think the

present concern that is taking the power is paying as high as $28, I don't know, $28 or $27.

Q--Mr. McLeod, the member in the Legislature from that district, pointed out the other day that this location was in the township of Cornwall ? A--Yes, it went through the municipality.

Q--And the fact that Cornwall, that is the town of Cornwall, turned down the policy and voted to extend the franchise should not have been permitted to prejudice the township?

A--You see, the lines that are constructed there were high capacity lines which would be of no value, as far as the township is concerned. I mean lines of greater capacity than necessary.

Q--Cornwall had no chance of getting any power from anyone but the Hydro then, so that there was no competing company that they could have called in when you raised the rates ?

A--Not that I know of, only in small quantities. I might qualify that last statement, providing the company then in existence carried out the verbal understanding or otherwise that had been reached with the Commission, that they would not compete within that district.

Q--Yes. Do you think it is a just policy for the Commission to consider more favourably the municipalities which might be called Hydro municipalities as against the municipalities that are non-Hydro municipalities ?

A--I think they should consider the contracts for the delivery of power, etc. taking into consideration the length of time the power had been delivered there, and the responsibility of the Commission respecting those consumers, and that is what the Commission did. They did not discriminate.

Q--It is clear in this case, I think, pretty clear, that the Eugene Phillips Company would have located at Cornwall if the

had been no change in those rates after the by-law was voted on ? A--That I don't agree with, I don't think so.

Q--Well, they wrote up to you asking for the contract ?

A--Yes, but that was for the consideration of a site on to the east of Brockville compared with the Cornwall site, but they got the site to the west of Brockville which was more suitable, as far as they were concerned, and if you will refer to the letter of the company they stated it was a matter of their judgment and report of their officials, that that site was more suitable even if the power did cost more.

MR. JEFFERY: I might say there, Mr. Chairman, the evidence of Mr. Johnston of Brockville shows that the company had decided to go to Brockville before they received our letter giving them the increased rate. That is in his evidence.

THE CHAIRMAN: It is rather strange though that they should have written asking for the contract.

MR. JEFFERY: It was prior to that they had written.

MR. GABY: They knew what the rates to Brockville were before they had received the extra Cornwall rate .

Q--Did you lower the rate at Brockville ? A--No, it was just the one that was given to them.

Q--Did you yourself, or any of your officials, bring influence to bear upon the Eugene Phillips Company to locate at Brockville ? A--No, we had nothing whatever to do with it. We did not know of the circumstances or what the conditions were. As a matter of fact, it was only in the final details of the contract that we knew of the location. We knew it was within a certain area. We had to know that to prepare the road, but that was all we did know.

Q--Didn't you urge them to go to Brockville ? A--No.

Q--Didn't you use your position as a customer of theirs, and having an influence with them, on that account to go to

Brockville ? A--No, sir.

Q--What did Mr. Grant of the Eugene Phillips Company mean when he said "the Hydro put the guns to us"? A--I don't remember of him ever making any such statement. Q--That is what Mr. Robertson says he told him ? A--No, sir, We knew nothing about their location other than they were in certain districts.

Q--He did not wish to tell us, but he said to myself "Why, we located in Brockville after the Hydro put the guns to us"? A -I would rather take Mr. Grant's letter, of which we have a copy, than to take hearsay in connection with it.

MR. JEFFERY: I understand, Mr. Chairman, that Mr.Grant, having heard what was said by Mr. Robertson, states that he did not make any such statement, and he is willing to write you to that effect.

THE CHAIRMAN: I think he should appear before us. We should have the right to question him on it. I think that in justice to the Hydro and to himself he should have a hearing, if he did not say it. Mr. Robertson, I suppose, is a reputable man in Cornwall, President of the Board of Trade there, and he told us unwillingly. He was pressed to say what Mr. Grant had told him, and that is what Grant said, and it was shown that the Hydro is a large customer of the company and, no doubt, its word would go a long way with it.

MR. GABY: Well, we did not make any representations, as far as the Commission is concerned, to my knowledge.

Q--Of course, you cannot speak for all your officials, Mr. Gaby. Some of your officials in that locality might have been more zealous ? A--I doubt it, I don't know of any official that would make such a statement as that.

Q--You know, I suppose, that there is a good deal of feeling in Cornwall about it? A--True. They have been

treated fairly, as far as those contracts are concerned, there is no doubt about it at all.

Q--Well, they knew that if they accepted the contract -- there is no doubt the second contract rates had an influence on the location of the industry ? A--No, I doubt it. I doubt if they would have had an industry no matter what the rate was. They didn't get that second rate until they had already decided to locate at Brockville. I doubt whether that would have had any influence on them at all.

Q--Then the Hydro rate would not have been changed --

A--That might have been possible, yes.

Q--It was on August 20th, about two months after the vote was taken, that they wrote to Mr. Pope asking that the draft of the proposed contract be submitted.

COMMISSIONER R. A. ROSS: Mr. Gaby, was the final rate given to Brockville higher or lower than that given to Cornwall? A--It was higher.

Q--Then there would hardly be any inducement from that point of view to go to Brockville over Cornwall? A--No.

Q--In the one case you were dealing with a Hydro municipality which had a permanent contract of long life with the Hydro, and, in the other case you were dealing with a private contract with a private company for a short term?

A--Yes, sir.

Q--That would make a difference ? A--Yes.

Q--Why ? A--The question of retiring the investment that was made there on account of the development for a period of ten or fifteen years as against a period of, say, thirty years.

Q--In other words, when you have a municipality once as a customer you presume they would remain a customer forever ?

A--Yes, forever, as a partner in the ownership of that system, they would assume the liability,

Q--The Township has made some complaint. If Cornwall had

come into the Hydro municipalities it would have been a benefit to the township? A--Yes.

Q--And when they didn't come in they have no right to complain, because there was no benefit when Cornwall didn't come in. If they expected to derive a benefit, as they naturally would, and claim it in one case, why should they complain when Cornwall didn't come in and they don't get the benefit ? A--I don't see why they should. That is a condition, anticipating the actions of some other third party.

THE CHAIRMAN: Q--What effect will the placing of the industry at Brockville have upon the price of power in Brockville to the public generally ? A--I would say it would probably make a difference of $20, $15 or $20 per h.p. per year.

COMMISSIONER HANEY: That is, it will lower the price ?

A--Lower the rates. In other words, the company will assume a certain share of the burden of this transmission line.

THE CHAIRMAN: Q--And that will enure to the benefit of Brockville ?

A--To the benefit of the customers in Brockville.

COMMISSIONER R. A. ROSS: Q--Mr. Gaby, is your policy in the Hydro to carry power as far as you can on your lines ?

A--Yes, wherever it is needed.

Q--So that the location, apart from any other consideration, in Brockville is a benefit to the whole community, by reason of the fact that that load pays its transmission charges up to a greater distance than it would if it came to Cornwall ?

A--As a matter of fact, it benefits all municipalities entering in or using the lines from Cornwall, or the station just outside of Cornwall to Brockville. That would mean Winchester, Chesterville, Prescott and Brockville, and other municipalities that are connected to those lines.

Q--So in the interests of your clients, generally, you are

very well satisfied to have it go to Brockville ?

A--Very much more satisfied than at a station where it would be of no benefit.

COMMISSIONER HARRIS: What was the price at Brockville?

A--Today ?

Q--Yes ? A--What is the cost at Brockville or the price?

Q--Price? A--It varied from $31 to $35 per h.p.

COMMISSIONER HANEY: Q--That is for Eugene Phillips ?

A--That is for the quantity of power that was estimated in their contract.

COMMISSIONER HARRIS: What did you buy the Cedar Rapids power for ? A--$15, 110,000 volts.

Q--When would you expect to reduce that price from $15 to $20 ? A--Well, the cost of power previous to the taking on of this contract ran in the neighborhood of between, from $50 to $60 per h.p. to Brockville. Now, the delivery of that amount of power under the contract, to the Eugene Phillips Company, would reduce the cost down to $31 to $35 per h.p.

Q--That $15 to $20 reduction is not on the $31 to $35 ?

A--No, no, it is on the cost of power to the municipality before this contract was made, or before this company takes the quantity of power it is required to take under the contract.

COMMISSIONER R. A. ROSS: Q--You say you have a contract with the Cedar Rapids Company that they will not compete, whether that is a signed agreement or a gentlemens' agreement would you have made a provident contract if you had not included some arrangement of that kind? A--We would have, yes, because we would have then two parties operating, duplicating our lines, and competing with them for business in that distric

Q--Have you ever heard of a company situated such as your Commission is purchasing power in bulk from another

company, that it didn't reserve to itself, free from the competition of that company, a certain district ?

A--I have not.

THE CHAIRMAN: How was it, Mr. Gaby, that it was not made a term of the contract ? As you realize now, you have the word of a man, assuming that they have given their word, which is denied, down there, and they can come in and compete with you, and you couldn't stop them at all ?

A--I am not so sure as to whether there is anything in writing or not.

Q--Could you tell us whether there is or not ?

A--I will investigate and see.

Q--When can you let us know, some time this week?

A--Yes, I will try and let you have it.

Q--You spoke just now of Brockville and those other places as your clients, I think that is correct ?

A--We are the Trustee of those municipalities.

Q--Yes, and as such are entitled to your special consideration ? A--Yes.

Q--Now, the people of Cornwall say that they are your clients too, but at the same time we are financing this undertaking ourselves, as a part of the Province, the Province is furhishing the money, which makes all the difference possible, and, therefore, we should have been treated on the same basis as they were treated ?

A--If the Government had financed and assumed any responsibility in connection with that undertaking they might rightly make such a statement, but that isn't the case, for the municipalities in that district assume the whole liability, and the Province only enters into this undertaking as a banker.

Q--Oh, no, it borrows the money, it signs the bonds, and then advances it to the municipalities ? A--Yes, that is the same position as a banker. It loans the moneys to the

municipalities and the municipalities try to return that money at a given time.

Q--That is hardly the position, it seems to me, because bankers loan money and make a profit on it, but the Government does not make any profit whatever. It incurs a liability which, as Mr. McGarry has pointed out just now, may affect the general credit of the Province and, therefore, it renders a very substantial service today. The Chippawa undertaking would have been impossible if it had been financed by the Hydro itself. It is the credit of the Province that borrows the money and makes it available for such undertakings and renders it possible for the work to go on ? A--There is no doubt that, so far as these moneys are concerned, the Province does borrow probably to better advantage than a group of municipalities could. In that way it is to the advantage of the municipalities that the Province should borrow those moneys on their account, and it was considered that was the most favourable way of assisting the municipalities in their undertakings, but these municipalities who do enter into this undertaking assume the whole responsibility and liability of the undertaking, and agree to pay it back, within a certain time, at the cost to the Province.

Q--Supposing I wanted to borrow some money and I went to you and said, I will assume the whole responsibility, you just go to the bank and borrow the money and hand it over to me. I would be in just the same position as the municipalities, but you would be rendering a very substantial service to me for doing it, and if after you had rendered this service to me I had some special clients and I treated them better than I treated you, you might feel that I wasn't doing quite the square thing by you. That is the argument, as I understand it, of the people of Cornwall?

A--They had the same opportunity of entering into this

proposition, and they have intimated by their votes that they do not desire to enter into any such undertaking with the Government. They have refused the proposition in which the Government would loan their credit for an undertaking in which they are interested.

COMMISSIONER R. A. ROSS: Q--Supposing you had two men come to you as a banker, one of whom said: I will guarantee repayment in a certain length of time, and I will also guarantee the payment of interest on that money, and payment of sinking fund, and the other one says nothing, what would be the answer ? A--I would rather take the guarantee, assuming that I would be placed in a much better position.

THE CHAIRMAN: Q--But in the case of Cornwall they didn't go to the Government, they did not apply for any money at all, but it furnished the money that you developed the line to Brockville with as a part of the Province, a small part it may be, but still it is a part, and the interest which it has to pay in borrowing the money is affected by that for whatever purpose it might want --

A--It may be, it should be --

Q--I am not saying that the argument of Cornwall is sound or not, but that is the argument they put up to us down there? A--The municipalities down there had the same opportunity of entering into such an undertaking, and receiving the benefits from the Province in the same manner as the other municipalities.

Q--It seems to me that doesn't enter into it at all?

A--Yes. They voted, and that is their right, to go with the private corporation, because they thought it was probably in their best interest to do so.

Q--They were not bound to take it, they could do just as they pleased, but theywere, as part of the Province, helping to finance this, and they said that being the case they were

entitled to just as much consideration as those people you call your clients? A-- We don't agree. Where the Province is lending its credit for such undertakings, and where the municipalities are assuming the liability, you cannot ask those municipalitiesthat have undertaken this liability to go and finance a losing undertaking --

Q--They did not finance it at all, they didn't finance Cornwall ? A--Yes, but they are financing an expenditure. The municipalities are assuming the responsibility, and if Cornwall assumes no responsibility for the liability on the undertaking why shouldn't the municipalities protect their interests within that municipality?

Q--There may be an argument in favour of it.

A--I think that it was a question of whether the proposition was equitable or not. The municipalities that were interested in the undertaking wished to protect their interests in the undertaking in another municipality which had assumed no responsibility. They, therefore, wanted full protection, as far as that undertaking was concerned, and as Trustee for those municipalities we have to see that there is sufficient money in it to protect their interests, because Cornwall assumes no responsibility. We have insisted on this guarantee, simply to protect the municipalities.

COMMISSIONER R. A. ROSS: Mr. Gaby, supposing that you had given the previous rates to Cornwall, the cheaper rates, who would have paid the difference between that and the lower rates ? A--If there had been a loss ?

Q--Yes ? A--The other municipalities.

Q--How would that be equated with regard to the other municipalities, or with regard to Cornwall, or the Government?

A--It wouldn't have been equated. It would simply have been a loss, which, as trustee for the municipalities, we could not have justified.

THE CHAIRMAN: Q--Do you make the same distinction in

your dealings between individuals, that is, if an individual is a supporter of Hydro, and a voter for it, enters into an agreement with it, do you distinguish between that individual and the people who vote against Hydro ? A--No. All the people within that municipality assume responsbility for the undertaking. We have no authority excepting by contract.

Q--Supposing you take this Cornwall case: You had people there who were voting against this byław. Now, in your dealings there should you make any distinction between those people, that is, between your supporters and opponents? A--There would be no difference in connection with one or the other. It would be all a question as to whether the municipality was behind the undertaking for which we were Trustee, assuming the responsibility --

Q--I am not thinking of that. If there were two people competing for orders, would you look with greater favour upon the man who had backed you up at the polls, say, over the man who had opposed you at the polls ? A--No, that would be all a matter of contract and tender. If the man who had voted against us was lowest we would have to take that proposition.

Q--I ask you that, because at Cornwall they brought a letter before us from a man by the name of J.J.Fallon to your Commission, dated August 10th, 1922:

> "It is a very funny thing that your purchasing agent refuses to even get a price from us for the cement for the Hydro building, but purchases it from a firm who done their utmost against any Hydro in this town.
>
> Our price, in quantities, is 70 cents per bag for cement, and we would like to know what was paid to people who are directly opposed to all your dealings.
>
> When Mr. Rittenhouse was here on the new building he purchased goods from us, we also loaned him any machinery that we had. If that business at that time was not

"satisfactory, we will be pleased to know."

and here is your reply ? A--My reply ?

Q--Yes, Chief Engineer ? A--Did I write the letter ?

Q--Yes, signed by yourself per G.F.D.

A--I didn't see the letter, as a matter of fact.

Q--I understood from Mr. Jeffery that it was from you?

A--No, I wouldn't see the letter at all.

Q--However, it went out from the Department to Mr.J.J.Fallon:

"September 6th, 1922.

"We have your letter of August 19th, and are sorry to note the statements you have made in connection with the Commission therein. In reply we wish to state that we were considerably annoyed to know that we were dealing with a party who does not sympathize with the Commission in its policies and endeavours. As a matter of explanation, we might state that we only purchased some 47 bags of cement in two different quantities. When the order was placed for the cement, consideration had to be given to Messrs. Acheson due to the fact that we had borrowed some 50 hardwood ties from them, without charge. If these ties had been purchased, we would have had to pay at least $1. apiece for them. It cannot be said that we refused to get a price from you in connection with the cement, as we would no doubt have been glad to get competitive bids in the ordinary circumstances. You, of course, realize that the field superintendents who have charge of this construction work are not in touch with the local conditions in Cornwall, with which you are so familiar, and we certainly do not intend to deal regularly with parties such as we have in this instance.

We know that you are writing this only on principle,

"and are glad to accept the criticism as such. We trust that you will accept our explanation in the same spirit".

A--Well, now, the policy of the Commission,- there is no distinction between tenderers in connection with this proposition. That was probably written by our Mr. Drury, one of the engineers of the Commission. Mr. Jeffery may be able to answer it, because that is the first time I have ever seen the letter, or heard of it.

Q--That is signed by you per G.F.D. ?

A--It is all a matter of policy.

Q--Does this correctly state the position of the Commission in that matter ? A--No, it does not, irrespective of how a man votes, or what his feelings are in the matter, we receive tenders from all parties on material that we require for the operations of the Commission, and if the man who had voted against us had the lowest tender, why, we would give it to him.

MR. JEFFERY: Mr. Drury is on my staff, and the letters which are not sent through to Mr. Gaby or Mr. Pope I sign. All matters of policy are sent on to Mr. Pope or Mr. Gaby. Routine letters are handled by Mr. Drury, and these letters are signed "Chief Engineer", per his own name. That letter was sent out by Mr. Drury without knowledge.

Q--Didn't you know the letter was sent ?

MR. JEFFERY: No. I referred this letter to Mr.Drury to prepare the answer.

THE CHAIRMAN: It is right from your files, right here at your head office.

MR. JEFFERY: I cannot read all of the letters, Mr.Chairman. We have hundreds of them, but when I did see it on the file I took it up with Mr. Drury. I took him to task and told him it is not our policy to do anything to discriminate between one voter and another on any job like that, and that is not

correct as far as we are concerned, and I am sorry it is on the files.

THE CHAIRMAN: It was never withdrawn, apparently, or repudiated.

MR. JEFFERY: You understand that Mr. Fallon was kicking about him not getting the order. He had obliged us by loaning us some fifty ties which would have cost us, in round figures, about $50.

THE CHAIRMAN: The other party loaned you the fifty ties.

MR. JEFFERY: Oh, yes, I am mistaken there. It was an attempt by Mr. Drury to smooth out Mr. Fallon that led him to put those words in the letter which really do not define the Commission's policy.

THE CHAIRMAN: You knew Mr. Fallon was a very active supporter of the Hydro in Cornwall, did you not ?

MR. JEFFERY: Oh, yes, but that letter does not define the Commission's policy, and while Mr. Drury sent it out the letter was an imprudent one and should never have been worded as it was. It did not express the facts in that regard.

THE CHAIRMAN: Anything further, Mr. Gaby, that you would like to say ?

MR. GABY: Nothing that I know of just at this moment, Mr. Gregory.

THE CHAIRMAN: Mr. Pope, do you wish to say anything today ?

MR. POPE: Nothing.

THE CHAIRMAN: Well, then, I think we had better adjourn, and we hope to meet on Tuesday. You will find out in the meantime.

MR. POPE: I will keep your Secretary posted, as far as I can, as to the condition.

THE CHAIRMAN: You know that we are going to be at Windsor on Thursday ?

MR. POPE: I didn't know it. Mr. Gaby told me that someone had phoned him. I would like to know who you want and what you want. Windsor means a long way from headquarters, and if you can tell us now what is going on up there, why, we will be prepared.

THE CHAIRMAN: Mr. Bower has written you on that and you will get that today.

MR. POPE: I thought while we were here you might be able to tell us. I would like to have it thoroughly considered.

MR. BOWER: The purchase and operation of the Sandwich, Windsor & Amherstburg Railway will be taken up.

(The Commission adjourned sine die)

MR. POPE: I didn't know it. Mr. Daly told me that someone had pressed him. I would like to know who you want and what you want. Windsor means a long way from headquarters, and if you can tell us how what is going on up there, why, we will be prepared.

THE CHAIRMAN: Mr. Bower has written you on that and you will get that today.

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